

Tax Reform Study Committee

September 12, 2003
MACo Conference Room
2715 Skyview Drive, Helena, Montana

MINUTES

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file at the Department of Revenue. Exhibits for this meeting are available upon request.

COMMITTEE MEMBERS PRESENT

Jerry Driscoll
Ken Morrison
Myles Watts
Mary Whittinghill
Rep. Eileen Carney
Rep. Jill Cohenour
Rep. Bob Lake
Rep. Jim Peterson
Sen. Gary Perry
Sen. Keith Bales
Sen. Dan Harrington

COMMITTEE MEMBER EXCUSED

Sen. Jon Ellingson

STAFF PRESENT

Larry Finch, Department of Revenue
Dan Dodds, Department of Revenue
Brad Simshaw, Department of Revenue
Linda Francis, Department of Revenue
Judy Paynter, Department of Revenue
Jackie Williams, Department of Revenue
Leanne Kurtz, Legislative Services Division
Prudence Gildroy, Secretary

AGENDA & VISITORS

Agenda (ATTACHMENT #1)
Visitor's list (ATTACHMENT #2)

COMMITTEE ACTION

Election of Officers

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Sen. Dan Harrington, acting chair, at 8:30 a.m. and introductions were made.

Rep. Bob Lake stated he is a feed manufacturer and farm supply businessman and has been interested in the tax reform odyssey. He is past chair of the Montana State Chamber of Commerce.

Jerry Driscoll, Montana AFL-CIO, advised he thought he had been on nearly every tax study, and he hoped this time they might do something,

Rep. Jim Peterson, farmer and rancher, served as interim associate dean of agriculture for Montana State University and he is very interested in tax reform.

Sen. Keith Bales stated he served in the House in 2001. He has a ranch in Otter, Montana in Powder River County in the southeastern part of the state. He is a past president of the Montana Stock Growers and has been on various other committees. He has been interested in tax reform and served on the Tax Committee in the House. He served on the Senate Finance Committee in the last session. He is interested in how taxes affect development in the state.

Ken Morrison stated he is a tax consultant and lobbyist.

Sen. Gary Perry has a business in Belgrade and is a taxpayer in Gallatin County.

Rep. Jill Cohenour stated this was her first legislative session and she is a state employee at the Montana State Environmental lab and a union member.

Mary Whittinghill said she was appointed as the small business representative and she and her husband own a restaurant in Helena. She is also President of the Montana Taxpayers Association. She was with the Property Assessment Division for 17 years and has been interested in comprehensive tax reform for Montana that would expand the current tax base.

Sen. Dan Harrington said he served in the House for 12 terms and just completed his first term in the Senate. He served on Taxation all of those years since 1977.

ELECTION OF OFFICERS

Sen. Harrington advised the first order of business was the election of officers.

Rep. Peterson said the legislation uses the term Presiding Officer. He nominated Sen. Bales. Sen. Bales served in both the House and Senate, is a holdover senator and co-sponsored some tax legislation in the last session.

Sen. Harrington asked if there were further nominations. Seeing none, he said he would entertain a motion that Sen. Bales be elected unanimously. It was moved and seconded and the motion carried.

Senator Bales hoped they would come out of this with something that will work. He thought they would follow the agenda and decide at a later time what other officers or appointments are needed. He indicated the next item on the agenda was a discussion of Committee Legislation (SB 461). He asked if anyone had a problem or any suggestions to make on the agenda.

Rep. Peterson asked staff to explain the agenda. Then the committee could add to the agenda if they wished.

Larry Finch, Department of Revenue introduced the staff. He stated he worked in the Department of Revenue for two decades and all of that time in the research office.

Brad Simshaw, Department of Revenue, said he worked alongside Larry for the last nineteen years and had worked with many tax committees.

Dan Dodds, Department of Revenue, told the committee he worked for the department for the last three years and had worked in other state agencies here and in other states almost as long as Larry and Brad.

Mr. Finch introduced Linda Francis, Director, Department of Revenue, Jackie Williams, Administrative Office, and Judy Paynter, Office of Research and Information. He advised the agenda was for a facilitation session. They would break up into groups to brainstorm and discuss the direction of the committee. The committee was sent preliminary material which there would be time to discuss with the staff. He indicated Mr. Simshaw is an expert on property taxation, and Mr. Dodds is an expert on natural resource taxation and has developed sales tax revenue estimates for sales tax proposals in the last couple of legislative sessions. Mr. Finch has worked with individual income tax and corporation license tax. Public comment was also on the agenda. Rep. Lake encouraged public comment on the tax system.

Sen. Bales advised SB 461 set up two committees—one on reappraisal and this committee on tax reform. He proposed following the same rules as the legislature—Mason's rules. Sen. Harrington agreed and Sen. Peterson concurred as well. Sen. Bales read the charge to the committee from the bill. *(Note: Tape broke at the end of Tape 1 Side A)* He noted they are mandated to work with the Tax Appraisal Committee and to meet together with them at least once every six months. Mr. Finch commented the Property Tax Reappraisal Committee met September 5th. Mr. Simshaw indicated the other committee was aware of the joint meeting requirement and decided to have another meeting themselves beforehand. Ms. Williams advised the Tax Reappraisal Committee would meet next on November 21. Sen. Bales thought they could schedule a joint meeting after that. Mr. Simshaw advised the other committee had elected Rep. Ron Devlin as Chair and Sen. Emily Stonington as Vice Chair. Sen. Bales thought legislative

services should have an active role. (*Tape 2, Side A*) Sen. Harrington agreed. He thought since they will write the legislation, they should be there along with the Department of Revenue. Sen. Bales agreed and thought they should be there from the onset. Sen. Bales advised \$60,000 had been appropriated. He asked how many meetings can be funded and how many the other committee would have. Mr. Simshaw indicated Dave Boyher, Legislative Council, who gave a presentation to the other committee, stated the cost of \$3000 to \$4000 per meeting or about 10-12 meetings per committee. If they split the appropriation, a single one-day meeting would be roughly \$3100. A two-day meeting would be about \$5000. They could have a series of 9 one-day meetings. Sen. Bales wondered if there had been discussion of this committee getting a larger portion of the funds since the committee is larger. Mr. Finch said he was not aware of any discussions. Sen. Bales said he would contact Rep. Devlin.

Rep. Lake asked if there is a cost for the facilitator. Mr. Finch said the facilitator is for this one-day session with no further associated cost.

Mr. Driscoll referred to the portion of the bill which said non-legislative members would be reimbursed. He said that is not normal. Most non-legislative members are from Helena, and he wondered what expenses they have. Mr. Finch said he noticed that and expenses for them would include lunch. Mr. Driscoll said on other committees he sat on, if you are not a legislator you don't get paid and Mr. Finch agreed. Mr. Driscoll said there are no expenses either. Mr. Finch said non-legislative members would be provided mileage, meals allowance and accommodations allowance to the extent needed. Sen. Bales thought the only way they might have expenses would be if the committee met someplace other than Helena. Rep. Peterson thought it would depend on how many meetings they have and if they decide to meet somewhere other than Helena in order to receive public comment.

Sen. Bales advised the next item on the agenda was public comment.

Harold Blattie, Montana Association of Counties (MACo) welcomed the committee to the facility and offered their services to the committee.

Daniel Watson, County Commissioner and MACo Fiscal Officer, stated he is chairman of the taxation committee for MACo. He said he had been in local government for 20 years and worked in income tax preparation. He referred to the analogy of the three-legged stool and said they would like to see some relief on the property tax side in particular and possibly some on the income tax side. That doesn't necessarily affect local governments as much as county tax dollars. The balance between state and local governments seemed a little precarious at times, according to Mr. Watson, and they wanted to work with the committee on that.

Webb Brown, Montana Chamber of Commerce, said they had been involved in this process for some time. They have looked at tax policy overall and ideas to make the system fair, efficient and competitive. They know the rules have changed somewhat. The industries were levied taxes more heavily in the past, and some of the rules regarding

those companies have changed. The Chamber just completed a survey with the Bureau of Business and Economic Research, specifically on the sales tax. Montanans are split on whether they favor a sales tax or not. If a sales tax were to be implemented, taxpayers would prefer it provide some relief of income and property tax. If it were to be one of those, property tax relief was favored. There were some income tax changes made in the last session and the focus is on the property tax side.

Sen. Bales advised the next order of business was questions on the background material sent to the committee.

Rep. Peterson said he was interested in looking at the big picture and how that affects Montana's economy as well as its taxpayers. He thought the committee ought to agree, at least in principle, on how they look at the numbers. Depending on which research unit is used there can be slightly different answers. It also depends if revenue is looked at from a state perspective, a state and local perspective, with federal dollars included or without the federal dollars. The percentages all change depending on how the numbers are looked at. He thought it might be appropriate to have a subcommittee. He referred to a pie chart on state government tax collections. He distributed another pie chart that was given to the House Tax Committee that addressed the same kind of information but gave a significantly different answer. (*Exhibit 1*) The reason for the difference is the chart in the book talks about state collections only and the chart he was circulating has state and local taxes included. If you look at state only and add the federal dollars in, you get another answer. He thought the committee or a subcommittee should work with the Department of Revenue and come back to the next meeting with a recommendation on how the committee would look at these in principle. The research analysis by state gives a slightly different answer and Miles Watts had a research analysis with a slightly different answer which was distributed to the committee.

Ms. Whittinghill advised her association was in the process of updating a Montana tax comparison brochure they put together with Professor Doug Young. The brochure attempts to look at the various studies and determine which ones are appropriate. (*Exhibit 2*) She agreed with Rep. Peterson that it is important to have an agreed upon baseline.

Sen. Bales asked Mr. Finch to comment on the differences in the graphs and percentages. Mr. Finch said neither chart included federal revenues and were all tax source revenues. One of the charts included only local government property taxes and did not include other sources of revenue. Sources of revenue in Montana include selective sales taxes, natural resource taxes, individual income, and property taxes.

Rep. Peterson wondered if they want to look at this from the taxpayer's perspective or the state's perspective and he favored looking at it from the taxpayer's perspective.

Rep. Cohenour thought the issue needs to be looked at from the perspective of the effect on the taxpayers. They need to come out with a marketable product that can be understood. She thought they would need to include the federal taxes in the discussions

because of the overall effect on the taxpayers. She felt they were mandated to look at it from that perspective.

(Tape 2, Side B) Rep. Lake asked Mr. Finch how soon the numbers would be developed based on the income tax and capital gains tax changes from the last legislative session. He wondered if that would change some of the percentages. Mr. Finch said it would once the changes are fully implemented. In tax year 2005, fiscal year 2006, there is a decrease in income tax augmented by an increase in the selective sales tax. There will be a slight shift away from income taxes in its share of total taxes collected and a slight increase towards the selective sales taxes in the pie charts. Rep. Lake asked if the discussion in the committee will include those and if it is possible to get an estimate as to what those numbers will look like with this new change. Mr. Finch thought they could do that.

Sen. Harrington advised they have to make sure they detail what happens to every group of people, especially with the income tax. There have been problems in the past with changes in the income tax or the income tax system such as going to a simple percentage of the total, etc. He thought that was the point Rep. Lake was trying to make—it is important to look at the effect on all income groups. That should be the direction of the committee.

Mr. Driscoll asked how do they account for the differences in mill levies and how that is factored into the chart. Mr. Finch advised there are no differences in mill levies taken into account. All the charts show is the total amount of taxes collected in property taxes—the total dollar amount as a share of total taxes.

Mr. Watts expressed a concern with consistency. He wanted to have a brief white sheet that is two or three pages in length to agree to refer to.

Sen. Bales thought the committee wanted to be able to identify all of the taxes that individual taxpayers are paying—that includes local, state and also federal. There is nothing the committee can do to change the federal taxes, but they can consider the effect. As a committee, they have the ability to make recommendations as to how the local taxes and state taxes are collected and what they are, etc. He thought they needed clear charts that show the total tax load the committee has control over, both state and local, so they can compare those. They would need the numbers of the burden of each kind of tax on individuals and companies. He didn't think the committee had the time to consider all of the ramifications. He agreed with Rep. Peterson's suggestion for a subcommittee to work with the department to delineate those numbers and get them into a form the committee could all understand and relate to.

Rep. Peterson made a motion for a subcommittee to work with the department between now and the next meeting on a consistent set of numbers, explain what's included in those numbers and use that as a baseline in discussions. It needs to be something that is understandable from the taxpayer's perspective as Rep. Cohenour pointed out. Rep. Carney seconded the motion.

Discussion:

Sen. Harrington asked Rep. Peterson if he wanted to define how much income tax, corporate income tax, etc., is coming in—all of those things that have a set amount they will work with as they go through this. Rep. Peterson answered yes. The material they currently had addressed information from different perspectives with three different answers. His suggestion was to agree on a consistent baseline as they look at the composition of the tax load in the state. They will look at it from the taxpayer's perspective. At the next meeting, they might be able to have a set of pie charts that everybody looks at and can agree on. When they talk about a three-legged or two-legged stool or overall global tax reform, what does the beginning point look like from the committee perspective. As they go forward over the next year, they will reach some kind of end point that they can compare and explain to a taxpayer what they are trying to do and why.

Sen. Harrington asked if they wanted revenue estimating. He asked how they want to get to that bottom line. Or is it the distribution of taxes. Rep. Peterson said he is not interested in revenue estimating. He is more interested in the makeup of the overall revenue available to run government. He is interested in taking existing numbers that they already have and looking at them in a consistent manner. If 42% of revenue is coming from property taxes, they will all understand what that means, rather than having a chart that looks at it three different ways. It makes it much simpler if they can agree on a baseline. They can work off that baseline knowing there are three different ways to look at the numbers. It's very difficult to have a meaningful discussion in principle of the tax structure and how that tax structure might change and how they might recommend the tax structure change if they aren't all talking from the same piece of paper.

Ms. Whittinghill advised a lot of the figures that are put together comparing the states utilize the census data. It depends on which group is compiling the information on how they're going to look at it. When looking at sales taxes, the census bureau divides that between general sales tax and selective sales taxes. It's taking this historical data and agreeing on how they are going to take this data and portray pie charts. The first component is the federal data, property tax data, and natural resource data. The second component is the various comparison studies that are done such as who pays. Various organizations compile statistics with the baseline as the census and do their own comparative statistics. She thought they should understand what the studies are and how they differ.

Sen. Harrington asked which study they should follow. He hoped they could come to a general agreement.

Rep. Eileen Carney asked if the committee will decide what parameters they want to use and the department will come up with the figures—she wondered if that will be the work of the subcommittee.

Sen. Bales said the subcommittee would work with the department to define the numbers and get them into a form they can all agree upon and understand and the relationship they have with some of these other studies.

Rep. Peterson explained his motion is to take advantage of the expertise on the committee, work with the department and come back with a recommendation to the committee of how to look at the numbers. Hopefully, the baseline of the pie chart will be consistent with their basic agreement and they will not be struggling with three different perspectives, all of which are accurate. It becomes confusing when explaining this to people that don't deal with it all the time.

Sen. Harrington hoped they wouldn't get to a point where they use comparisons by state as a basis. Sen. Peterson said he wasn't speculating as to how to use them. He said they need a baseline, a common beginning point, they can all agree they are going to work from.

Rep. Lake thought they needed to provide the subcommittee with guidelines. He asked if there is criteria anyone wants to use. He invited Mr. Watts to comment. Mr. Watts perceived the need for a three to four page sheet that everybody can understand that says this is the aggregate property taxes in Montana and this is the percent of property taxes in Montana of the total tax burden, etc. There needs to be a summary in an easily available, easily accessible form so they're not paging through 150 or more pages. His other concern was when these comparisons are made across states different people come up with different answers. He was not suggesting what had been presented was wrong, but if the numbers are compared they are widely different. He thought it useful to compare the different numbers in studies. This needs to be done briefly. The first component is an easily available set of numbers for the state of Montana. He thought that could be done rather quickly. He didn't think they were at the point when they want to talk about comparisons. Rep. Lake reiterated they should get a set of numbers back to the committee that is understandable, covers the whole spectrum, and can be used to base the discussion on.

Sen. Bales advised they would vote on the motion to form a subcommittee to work with the department to consolidate the numbers in an easily understandable form. The motion carried on a voice vote.

Mr. Driscoll stated under Mason's rules, the Chair appoints an alternate if he decides he wants one.

Sen. Bales appointed Miles Watts, Mary Whittinghill, Rep. Peterson, and Rep. Cohenour to the subcommittee.

- Break 10:05 a.m.-

- Reconvene – 10:20 a.m. -

Sen. Bales introduced the new director of the Department of Revenue, Linda Francis. Ms. Francis commented on the need to take Montana off the bottom of the statistical charts. She said taxes are only part of the equation and that the spending side must be considered. She thought the bureaucracy could be made more efficient. She hoped the committee would look at spending—the size of government. She thought without managing the size of government any tax solutions would also be in deficit.

DETERMINE SCOPE AND GOALS OF THE COMMITTEE – *Chuck Egan, Facilitator*

Mr. Egan asked the committee members to write down the ideal level of tax reform they would like to see in two years. He indicated they would break into small groups and make a list of all the issues in round robin fashion—not solutions, but issues. Those prioritized and clarified. He referred to Cybernetics, the process of looking at solutions. When they look at solutions they will consider everybody's thoughts and pick the best solution. They would begin to manipulate that solution and figure out how to deal with it. He explained “force field analysis”—what are the issues that cause wanting to do something and what are the opposing issues. Those are listed and when they define an issue sometimes it can't be solved because of a political or economic reason. He introduced Karen Tyra, Stillwater County Extension Agent and co-facilitator.

The committee broke into two groups. (*Note: Taping did not take place when committee broke into groups*) They were asked to list issues and what they would like to see for tax reform. Rep. Cohenour reported for her group:

1. Changes need to be understandable
2. Taxes are complicated and simplification is needed
3. Taxes are too high
4. Taxes drive people and corporations out—taxpayer behavior in response to things that happen
5. Is the tax system still fair—is it progressive or regressive
6. Total revenue picture—taxes versus fees
7. Marketability of any reform
8. Sales tax
9. Total effect of the reform and its consequences on services, programs, taxpayers, local and county government
10. Perception that comprehensive tax reform is not possible (ties in with marketability)
11. Tax reform and the effect on public services
12. Necessary services that need to be funded
13. The relationships between state and local collections (HB 124 issue – may need to be revisited)
14. What do taxpayers know right now and what do they want. How do they get information from the taxpayers – tie back to marketability issue
15. The effect of prior tax legislation on people, entities and services
16. Balanced system – 3+ legs
17. Government accountability

Rep. Carney reported for her group:

1. Need a system that people will support
2. Whenever the state makes changes in the tax structure – need to consider the affect on local government – if income taxes are lowered do counties have to raise property taxes – is that a wash or do people end up paying more
3. Business taxes must lead to good paying jobs – make sure tax structure taxes corporations so they can provide good paying jobs
4. Need to try to do something to raise people's income levels
5. Property taxes – should be more equal among the different classes – same percentage
6. Need more broadly based tax system

Mr. Egan asked if there were similarities between the two lists. The committee engaged in combining and sorting the issues. Mr. Egan then advised the committee members would vote for three issues:

1. Business tax must lead to good paying jobs
2. Need a system to encourage income enhancement
3. Need the same multiplier in each property classification
4. Need more broadly based three-legged stool (broader than three legs)
5. Understandable change – taxes are complicated
6. Taxes are high
7. Taxes drive people and corporations out – taxpayer behavior
8. Tax system reform is still fair
9. Total revenue picture – taxes and fees
10. Marketability of reform
11. The sales tax issue
12. Total effect of reform and the consequences of reform
13. Perception that comprehensive reform is not possible
14. Tax reform and its effect on public service – do we have all the necessary services or have we gone too far
15. Relationship between state and local collections – HB 124
16. What do taxpayers know and want
17. The effect of prior tax legislation
18. Government accountability

Mr. Egan asked if there were more to add. Ms. Whittinghill asked if they could combine and Mr. Egan said yes. Sen. Bales asked if they were trying to emphasize problems or solutions. Mr. Egan said they are looking at major issues—solutions will come later in the process. He indicated if there are solutions in the list they want to delete, that's fine. Sen. Bales thought number 6 is a solution to a perceived problem that our tax system places too much burden on property or something else. He wondered if that should be included or the problem behind that.

Rep. Lake commented by looking at the solutions they can use information of what is working in other states. Looking at the entire picture, they need to put together a taxing system in which everyone in the state participates at the level of their ability. He thought

they need a taxing system where everyone feels ownership value and services could be funded. It needs to be broad based and fair. Mr. Egan asked if he recognized that on the list. Rep. Lake indicated it was a combination. Business people have got to be protected—the people that are creating the jobs. In addition, a system that encourages income enhancement is needed. It has to be acceptable. Mr. Egan asked if they wanted to combine some more of these, keep them on the list, consider them solutions and take them off the list or just sort them out.

Sen. Perry advised marketability tends to include “understandable” and “fairness.” “Marketability and fairness of reform” could be one title. Sen. Bales commented again about the question of dealing with solutions or problems. Rep. Lake offered that part of the problem is they don’t have the benefit of the author’s thoughts.

Rep. Carney wanted to add “progressiveness:” to “marketability of reform and fairness.” Rep. Lake said he didn’t understand “unnecessary service”. Sen. Harrington declared the effect whatever tax reform has on programs and state and local government is important. Rep. Lake thought their job was to design a program and not necessarily to look at the total gross revenue. A percentage on whatever they’re taxing would get the dollars necessary to perform the services. This rate will adjust. It will have a built in ability to change as needs change and evolve—the taxing structure can be changed to fit it. Sen. Harrington thought whatever reform is done in the long run is going to run government. He didn’t think they could do tax policy unless they know exactly what effects that tax policy is going to have on programs. Rep. Lake said if it’s earmarked; he could understand if it’s general fund money. Sen. Harrington advised they had pretty much gotten away from earmarking.

Rep. Cohenour commented “the effect of tax reform” and “effect on public services” is taken into consideration in the “total effect of reform and its consequences” and could be combined.

Mr. Egan indicated are trying to come up with the main issues that the Tax Reform Committee is going to deal with in the next couple of years. They continued to combine issues and refine the list. Mr. Egan expressed they were trying to ferret out the major issues and give some kind of a roadmap to follow at least in the beginning. There may be some issues they find they can do nothing about and some others that will appear. These issues need to be real, important and something the members see as having an effect on tax reform in Montana.

Ms. Tyra advised they would type up a complete report of what was done and the vision would be given to the public through the chairman.

After discussion, four major issues emerged that addressed tax reform. Those were prioritized.

(Tape 3, Side B)

Mr. Egan indicated they would work with a couple of the issues. It was decided they work with the issues “broadly-based three-legged stool” and “total effect of reform/consequences”. The committee again broke into groups to clarify the issues. Mr. Driscoll commented that the “broadly-based three-legged stool” means a sales tax. After a period of discussion Sen. Harrington summarized the work of his group, which addressed the issue of “total effect of reform/consequences—the effect of prior legislation”. Revenue lost to the state was due to punitive taxes that have disappeared, and the result is less tax revenue, which hurt programs. He explained those taxes probably shouldn’t have all disappeared—they should have possibly been cut. Passage of HB 124 caused less accountability now that the state controls these taxes. Ms. Whittinghill added the result was less tax revenue period. Rep. Lake asked for an explanation of “punitive taxes”. Sen. Bales gave the example of a high capital gains tax. If there is a reasonable capital gains tax, businesses will tend to stay in the state. If there is too high a capital gains tax, it will drive businesses out of the state. Another example was the coal severance tax. Montana had 30% and Wyoming had 15% and all the coal miners went to Wyoming. Rep. Lake asked if that is what the statement is about and Sen. Bales indicated yes.

Ms. Tyra asked the other group if they were in agreement with Mr. Driscoll’s statement. Mr. Driscoll said they didn’t agree there should be a sales tax but they discussed what’s left not to tax. Everything left is a sales tax. If as a group there are enough votes to start working on one, they will start working on one. He said he would vote for it. He thought that is what they are here for—unless something else can be found they don’t tax. Rep. Peterson said they are going to broaden the tax base and apply the seven principles of taxation; sooner or later they have to answer the question if this committee is willing to go down this road. If the committee is willing to go down this road and they try to apply these basic principles to it, its better to know that now than it is in April when they are running out of time. He agreed with Mr. Driscoll they were avoiding the real issue. The sooner they decide they’re willing to tackle the real issue or not, the sooner the committee can begin the work. Rep. Lake thought that may be the final solution in trying to bring fairness to the total tax structure. He felt part of the fairness issue is to look at a sales tax as part of the stool.

Ms. Tyra wanted the groups to come up with solutions to address this. She thought they have to look at taxes that currently exist. She suggested each person give a solution and the group make a list of solutions.

Group – Driscoll, Lake, Peterson, Morrison, Carney

Group – Harrington, Bales, Perry, Cohenour, Whittinghill

Mr. Driscoll reported for his group. He said when they passed HB 124, it didn’t change taxes it was just a bookkeeping bill. He didn’t think there was less accountability. It was the same taxes—poker machines, car licenses, etc.—they are sent to the state, the state takes their cut and sends the rest back. They would need a lot of votes to restore repealed taxes. The inventory tax was the first one that was cut. Over the years there have been a

lot of taxes cut. Some of those were punitive and some weren't. Some of it was just political muscle that got it done. He didn't think anybody was going to restore those. The Department of Revenue published that the state loses money if they don't tax the employers when they put money into pensions. It would bring in \$103 million in a biennium. The problem is it probably wouldn't bring in anything because the employers wouldn't contribute to the pensions any more. If they taxed employer contributions to health insurance it would bring in \$96 million. The problem is employers probably wouldn't provide health insurance. If Medicaid benefits were taxed, it would bring in \$37 million. The legislature decided not to tax these and there is a long list. When they cut the inventory tax, it hurt counties differently all across the state. His opinion was they should have exempted the first \$1 million of inventory from taxation. In Billings, in Yellowstone County, all storage tanks of gasoline and oil in the refineries were inventory. It cost their county a bundle when the tax was repealed. He didn't think anything could be done about it—its over. Mr. Egan asked about solutions. Mr. Driscoll said they didn't have any solutions to that one—he didn't know how you could do it. Mr. Egan asked if they were wrong on the issue they identified—"the total effect of reform and its consequences". Mr. Driscoll said no, he thought it needed to be identified and understood but he didn't think it was possible to restore an inventory tax or raise the personal property tax and he didn't think that would happen.

Sen. Perry clarified the coal tax increase actually drove coal sales out and therefore the severance tax decreased. That is what was meant by the result of less tax revenue. It wasn't to add taxes or increase taxes, but the fact that the past increase in the coal severance tax resulted in a reduction in net tax revenue.

Sen. Bales pointed out "which have disappeared" should be in that statement. Maybe more businesses would be here if property taxes were lower. Punitive taxes, which have caused businesses to disappear while reducing tax revenue, aren't necessarily gone. That is something they should consider and look at.

Ms. Tyra asked the other group about their solutions to address that issue. Sen. Harrington agreed with Mr. Driscoll regarding punitive taxes. These taxes were high. Instead of doing away with the inventory tax, had they set a ceiling of \$1 million or something to that effect, then possibly that tax would still be there. They have lost all of those tax dollars and that has been done in many areas. They still bring money in from the coal tax even though its only 15%.

Mr. Driscoll said when the inventory tax was eliminated Yellowstone County raised the mill levy. He didn't know if the refineries saved any money. The people that really wanted that inventory tax repealed were the small businesses like grocery stores, clothing stores, etc. It really hurt the consumer too. With no inventory tax, businesses don't have to have a sale.

Rep. Cohenour said they lost focus as to what they wrote down. They were discussing a specific issue. They want to craft a competitive, fair tax system to improve the economy

and the economics of the taxpayers while protecting necessary services. The solution is keeping in mind the effect and the consequences of any reform they actually do.

Mr. Driscoll felt they should remove the word “necessary”. He asked why they would provide services that aren’t necessary. He asked which ones they provide aren’t necessary.

- Break 12:15 p.m. -

- Reconvene 12:55 p.m. -

Rep. Peterson said as a group they concluded if taxes are punitive it means the structure is not balanced properly and a more balanced tax system would be part of the solution. Secondly, as a group they didn’t agree with or understand the assumption regarding accountability. The accountability is really no different—it’s just a pass-through. It goes through the state and back to the counties and adds 3% a year. Sen. Harrington said in the past session they increased vehicle license plates. That’s what they talked about regarding accountability. That couldn’t have been done if they did it on a local level. Sen. Bales referred to the automatic 3% each year counties get no matter what. The counties don’t have accountability because they’re going to keep getting their 3% increase. They don’t have to work for it because it’s built in. Sen. Harrington said there would be higher growth in some counties than others and they will be paying for counties whose growth has been less.

Ms. Tyra asked if either group wanted to add to either solution. Rep. Cohenour wanted to add that the sales tax is exportable and it might give them the opportunity for tax reform in other tax areas. Rep. Peterson asked what “protecting services” meant. Rep. Cohenour explained she took out the word “necessary.” Government has been mandated by the people to provide services. Those need to be defined and a tax system needs to be created that will pay for those and make them viable. Maybe there are programs that could be dropped. There has never been a defined look at what’s necessary and what’s not. Mr. Driscoll said he asked to take out the word “necessary” because why provide a service if its not necessary. He recalled in the special session when they were going to give a furlough to all “non-essential employees.” He wondered if an employee is not essential, what are they doing there.

Ms. Tyra asked the groups to define their issues. (*Tape 4, Side A*)

One of the issues defined was:

Marketability of Reform (considering the seven guiding principles)

- People are afraid of change

- Taxes are complicated

- Perception – “What is fair?”

- What do taxpayers know/want

- What do taxes pay for?

- Clear picture of total tax burden – taxes/fees – local, state, federal

- Distrust of government and legislature

Rep. Peterson commented there is already a constitutional amendment on the sales tax side. He wondered if they are going to have to look at something like that on the property tax side to build enough confidence in the reform package that the average taxpayers can trust what they are trying to do.

The other group defined their issue by rewriting it:

Mr. Driscoll said taxes can't really lead to good paying jobs so they changed it to "taxes should not discourage the retention and development of good paying jobs and system should not discourage income enhancement such as value added and economic development".

The groups switched issues, worked for five minutes and then reported:

Reports on issues:

Issue: Taxes should not discourage the retention and development of good paying jobs.
Definition – System should not discourage income enhancement; value added and economic development.

Rep. Lake reported:

1. Total tax structure must follow the seven basic principles of fair taxation
2. Eliminate target industries/groups (those selected for punitive taxes, exemptions)
3. Positive impact on business and investment decisions (keep businesses from moving to other states)

Rep. Cohenour reported:

1. Change our culture
2. Climate for business growth (so that business does not need incentives to come here)
3. Educate people

Marketability reform issue

1. Keep it simple
2. Input from taxpayers (about what they don't like about the current system after they are provided with information about the current system)
3. Explain the need for change (in simple terms and what the driving factor for the change is)
4. Explain in order to achieve the objectives of job growth and a better economy that change is needed
5. Design a tax system to achieve objectives
6. Educate the public on these issues

Rep. Lake reported:

One of the problems if they go to the public to look for input is whether they are talking to reasonable people. Marketability means the perception of reasonable people that the taxing structure appears fair. A fair taxing structure includes everyone. If it can't be explained, then it is probably too complicated.

1. Perception by reasonable people – must appear fair.
2. Taxpayer must be assured of offsetting tax relief (permanent).
3. Constitutional cap on taxes being relieved to put the sales tax in place

Sen. Perry asked him to elaborate on the constitutional cap and how that is achievable. Rep. Lake advised it is achievable if they remove or eliminate all of the state property taxes and back it up with a constitutional amendment that it cannot be re-instituted without a vote of the people. Rep. Cohenour advised if they put constitutional caps on everything, there is no flexibility. They will never be able to bring about increased revenue at any time even if there is a desperate need. Constitutional caps are not realistic because flexibility is needed.

Rep. Lake contended the topic is marketability. To market the product there has to be some assurances like the four percent constitutional cap on the sales tax. The state of Washington started off at 1.72% and are now at 8%. They don't want that to happen in Montana. That is the single worst issue for taxpayers. They want some assurances if something like a sales tax is put in place. People want to be assured that a tax isn't put in place with nothing but growth in government in mind. Mr. Driscoll thought the conversation was to cap the property tax, not all taxes. The constitutional cap could say something like the state may not tax property. Then the local governments' hands aren't tied. Rep. Carney thought they could just say there is some assurance because maybe they'll end up with a super majority. Mr. Driscoll said a super majority wouldn't be put in the constitution. Ms. Whittinghill emphasized some strong assurance would be needed when they're marketing this. Rep. Lake said they are talking about a marketing program—they aren't talking about taxing right now. They are talking about selling the public on the product. The only way to get them to accept it is to give them this assurance. Ms. Whittinghill asked how they could guarantee if they're not defining it yet—they're just saying they're going to guarantee something so there won't be this continued growth. If they reduce the income tax rate to 5%, that wouldn't necessarily be put in the constitution. Maybe the end result is to change it so a super majority would be needed. Rep. Peterson quoted Mr. Brown--the polls say it is 50/50 at best in favor of a sales tax. If they are going down a sales tax road, the only way the public is going to believe their intentions are honorable there must be some assurance. He said that is going to tie the legislature's hands, but part of the problem is they don't trust the legislature.

Ms. Whittinghill said her idea was similar to the constitutional amendment that was proposed as part of the bill Sen. Bales was going to carry. It wasn't necessarily a constitutional cap. She thought there has to be a strong assurance in the constitution that this is replacing something permanent or it is going to be very difficult to change. Sen. Harrington commented it is important to recognize the fact that a lot of the people who favor a sales tax feel there will be new revenue in that sales tax to cover programs. If any sales tax presented is dollar for dollar then those people will be driven away. It will not

be 50/50 then or even close. He thought that is what happened in the last legislative session. When you reduce dollar for dollar, you start losing the point and growth within the tax system is limited. Mr. Morrison indicated there is one group that doesn't want growth so there needs to be some kind of compromise. Rep. Peterson referred to Table 23 in the black book. It shows the change in per capita general fund spending from 1990-2001 and Montana is Number 1. He thought the obvious answer to that was HB 124. If that number were cut in half, Montana is still near the top. Mr. Driscoll thought these kinds of numbers were word games. He didn't think Nevada's total spending in ten years was only 1.4%--it was just their general fund portion. They probably earmark more things. The chart is state per capita general fund spending. Ms. Whittinghill pointed out they forgot school funding. They need to get together with the department to identify what this table really means.

Mr. Egan said to figure out a solution that makes the most sense to them all.

The solutions for the issue "taxes should not discourage the retention and development of good paying jobs and systems should not discourage income enhancement" were:

1. Total tax structure must follow the seven basic principles of fair taxation
2. Eliminate targeted industries and groups
3. Positive impact on business and investment decisions
4. Market our state/change the culture
5. Make climate for business growth in Montana so businesses do not need incentives to come
6. Educate

Sen. Harrington asked about the meaning of "targeted industries and groups". Rep. Lake said that was to guard against social engineering within a particular segment of our economy. The committee members then each voted for three. The committee selected the "total tax structure must follow the seven basic principles of fair taxation".

On the marketability for reform issue the solutions were:

1. The perception of reasonable people – must appear fair
2. Taxpayers must be assured of offsetting tax relief
3. Constitutional cap on property tax
4. Input from taxpayers about current system
5. Explain the need for change in simple terms
6. Driving factor for change
7. To achieve objectives—job growth, better economy—must make change
8. Design the tax system to achieve objectives
9. Develop a story simple to overcome distrust and the fear of change
10. Educate public

The committee selected "the perception of reasonable people—must appear fair."
(*Tape 4, Side B*)

Ms. Tyra handed out a summary of the futures statements, and some forms for strategic management planning. (*Exhibit 3*) The form was explained by Mr. Egan. The planning

sheet included four columns: what will happen, who is involved, when is it happening, and when are we finished. The committee is on a fourteen-month timeline.

The seven principles are:

1. Produces adequate and stable revenue (stability)
2. Treats individuals and businesses fairly (equity)
3. Maintains economic competitiveness (economic neutrality)
4. Facilitates taxpayer compliance and is easy to administer (simple)
5. Composed of relational components (complimentary)
6. Relies on a balanced variety of revenue sources (balanced)
7. Accountability to taxpayers (accountability)

The committee broke into groups to decide what will happen to accomplish the solutions using the strategic management planning form.

Report of group – Issue: “Total effect of reform/consequences”

Sen. Bales reported:

Solution--craft a competitive fair tax system to improve the economy and economics of taxpayers while protecting services.

1. Get input from public
2. Subcommittee to get numbers of current tax system and report
3. Talk to other states about tax reform and marketing
4. Get report of previous tax studies—recommendations or final dispositions
5. Committee develops alternatives
6. Get public input
7. Come up with final product
8. Go out and sell it

Mr. Morrison reported for the second group on the Marketability/Reform issue:

There will be a new tax system and major tax reform if they are able to successfully market the proposal. The most important thing to the group was who was involved—the committee, the public including all the stakeholders, state agencies, and elected officials at the state and local level. To successfully market whatever the committee comes out with, they will need some people who know how to market and perhaps some funding for that marketing. It will happen in the next session of the legislature initially, but realistically it will happen in a vote in 2006. They felt a vote would be necessary to accomplish major tax reform. It will be finished when they get the vote.

Mr. Egan said he hoped they had pointed out a way to define and solve the issues. He said it is pretty easy to discuss, but somewhere down the line something has to be tied down. The process they’ve proposed tries to help tie those things down and arrive at the important issues. He acknowledged they had a huge task ahead in the next fourteen months. It is a big task that affects everyone in Montana, especially those involved in local government and schools. He thought the discussions were good. He indicated they don’t charge for facilitating, but would appreciate help with the mileage. They felt the process to helps folks identify issues and make things happen. He felt that is important in

Montana where survival is the main thing. In his area, drought is an issue. One bright spot is the platinum mine. It was recently purchased by Russian interests, but people are still working and the mine is producing. Montanans are depending on this committee to come up with some good solutions.

- Break 2:30 p.m. -
- Reconvene 2:50 p.m. -

Sen. Bales asked Mr. Finch to make introductions and give an overview of what staff is responsible for. Prudence Gildroy is the secretary and Jackie Williams is support staff. Sen. Bales asked if staff had comments on the materials they handed out. Mr. Finch said they tried to provide materials they thought touched upon some of the more relevant issues in the areas of taxation. There is a description of what the 2000 legislature did in the comprehensive reform in SB 407. There are a couple of articles on some of the issues that are going on nationally with the corporation license tax. Mr. Simshaw pulled together several things that discuss recent issues related to property tax. They wanted to give some current background information on what has been happening.

Sen. Bales asked where they would go from here. The facilitators will mail their report and synopsis back to the staff and the committee. He thought the committee should get input from the public on the current tax system. A meeting should be held soon to solicit testimony from interest groups and the public. He thought they should solicit testimony from certain entities including the Chamber of Commerce, small businesses, the University system, the education community, agriculture, and general taxpayers. He hoped a meeting could take place the first part of October. He asked for thoughts from the committee. He had some ideas of questions they could be asked to answer: 1. How do you view the state's current tax system? 2. What changes would you recommend to Montana's tax system? 3. If your recommendations result in more or less revenue, where would you increase or decrease state or local government spending? 4. What is the public's acceptability to what they might be proposing.

Rep. Peterson liked the idea for public input soon. He thought the questions were appropriate. They need to identify the major sectors, industries or people they want to invite and then anyone else who wants to testify certainly can. They need to solicit input and ask for specific suggestions using those questions. When the committee meets again, they can begin drafting a proposal. He thought the input could be taken in one day.

Mr. Driscoll thought the public should be invited and a press release could be sent to every newspaper in the state. Sen. Bales agreed.

Rep. Lake agreed and regarding the press release he advised letting the drafter of the press release know the intention of the committee, when they will be meeting, and what they expect to come out of the meeting with. He hoped for a level of comfort in the public that something is being looked at.

Rep. Cohenour agreed with what Sen. Perry was saying earlier about the necessity of stating the objectives of the committee and letting people know the kind of information that is being solicited. The goal is to craft a structure using the seven principles and that should be a part of the press release.

(Tape 5, Side A)

Rep. Peterson thought the committee should decide if there is enough support on the committee to say they are going to take a serious look at tax reform that includes a sales tax along with relief in the area of property and income tax in a comprehensive manner. They could leave it general enough that there is flexibility but give the public an indication that they are going to look at major tax reform that includes a sales tax. Mr. Driscoll thought they shouldn't do that before they invite people in to talk to them. Rep. Lake agreed. He thought Rep. Peterson's idea is correct except in identifying the solutions. He thought they need to tell the public an in-depth look is going to be taken at all of the taxing structures and the public will be presented with a plan. He thought someone in the media could be helpful. Sen. Bales thought if they use his questions, it doesn't necessarily mean they will be going anyplace. They're asking for the public's input on what they think of our current system and their recommendations to change it. They could be told the committee is interested in changing it. If they take that tack, he thought it would work. Mr. Finch proposed the department draft a press release for the committee, working with their public information officer for the Department of Revenue. It could be emailed to committee members and could rely on the language in the bill. Sen. Bales asked the staff to do that. He asked if there were any objections to the questions. There were none and he indicated the questions should be incorporated into the press release.

Sen. Bales thought the list of people or organizations to comment should include the Chamber of Commerce, small business, the Montana Taxpayer's Association, counties, the League of Cities and Towns, School Board Association, Education and the University System along with the public.

Rep. Peterson indicated a list is available through the Montana Society of Association Executives. Mr. Watts asked if it included organizations such as the League of Women Voters. Mr. Whittinghill said she didn't think they'd be on there. Rep. Cohenour suggested a list of folks who provided testimony could be pulled from minutes of the Taxation Committee. Rep. Peterson thought the department might have that list. Rep. Lake suggested a time limit should be included in the request for testimony. Sen. Bales didn't think all of the questions could be addressed in five minutes. Rep. Cohenour thought the time issue could be addressed on the day of the meeting. The chairman would have leave to do whatever is necessary on that day. Rep. Peterson advised comments could be in writing as well.

Sen. Bales asked if the department has enough direction. Mr. Finch indicated they would send invitations to those organizations. Sen. Bales advised sending an invitation along with the press release and the charge of the committee. He handed out a copy of a facilitation that was done with a local government funding and structure committee.

(Exhibit 4) They will receive a report back that is similar to this. It was decided the next meeting would be held on October 14 in the same location. Sen. Harrington asked if they need to take their books with them. Mr. Finch indicated yes, and as the committee requests information from staff, the information will be three-hole punched and mailed to committee members to put into the books.

Sen. Bales asked if there is further business to come before the committee. Mr. Morrison said there is a significant amount of work involved in analyzing existing taxes. He wondered about the timeframe. Mr. Finch said in the charge for the committee it says the committee shall look at adequacy, efficiency, etc. Sen. Bales thought the subcommittee could pull together all of the numbers and make sure they are in a form that can be understood. He asked how long that would take and when the committee can get together with the department. Mr. Finch said they would be happy to work with the subcommittee to provide information between now and the next meeting or the meeting after that. They would be looking at what can be agreed upon as the tax burden in Montana. The information is in detailed census bureau reports for state and local government. Those can be combined for a look at the total tax burden. They will estimate how the pie charts might change by 2006 due to the impact of SB 407. That would include the total tax load the state has control of. Mr. Watts referred to a spreadsheet created by Mr. Dodds depicting what revenues sales tax generates if different items are exempted. He hoped that could be demonstrated at the next meeting with any updates or changes necessary. Mr. Finch said that was in the first packet they sent the members. Sen. Bales said that does not address the question about the criteria and comparison. His thought was they would get those drawn together, and he asked at what point in time they might be ready and able to start doing the other evaluations. Mr. Finch indicated that would depend on the specifics. They would be ready to provide information on questions of a factual nature for which the data exists and the impacts of various types of proposals and reform options the committee might come up with. He wasn't sure how they would be responding to those types of questions that involve personal opinion. They view themselves as non-political.

Rep. Cohenour assumed the data will be used for comparison, but thought the subcommittee might need to review the criteria that was used in the census study. Mr. Finch offered the census data is the most comprehensive and broadest state-to-state comparison information he is aware of. Rep. Cohenour requested a summary of the criteria used for the data reported. She wanted a starting point. Mr. Finch said that is not a problem.

Mr. Watts said not at the next meeting but at the subsequent "data" meeting, it would take a few hours to go through the data. Later in the day they should be able to submit some scenarios they want to have analyzed. He thought people should be thinking about scenarios and at the next meeting in the afternoon they would list those so the Department of Revenue could get started on the analysis at that time. Sen. Bales asked if he was saying have some scenarios at the next meeting. Mr. Watts said they would be outlined at the next meeting after they have a chance to look at the data. In the meantime, they need to think about the types of scenarios they would like to evaluate. Those can be

put together in the afternoon after they talk about the data in the morning. Sen. Bales thought that would be sometime in the first part of November. The committee should be ready to discuss different scenarios and ramifications at that point in time.

Mr. Driscoll asked if they want something analyzed if they need a vote of the committee or if they can call the department. Sen. Bales said the department probably doesn't want everyone calling. Mr. Driscoll asked what would be the procedure. Sen. Bales thought there are only a certain amount of different scenarios. It might be well if they discuss some scenarios they might want the department to run. He hoped the committee could come up with some basic ideas and the ramifications. Mr. Driscoll wanted to analyze what would happen if they took all property in the state and used the same multiplier like 3.46% for houses. He noted agricultural land is at 3.46%, but the market is determined differently than it is on residential and general commercial property. Some classes are higher and some are lower. If there was one multiplier or taxable rate, that would be going towards simplification. Ms. Whittinghill asked if he would make it revenue neutral. Mr. Driscoll just wanted to see the data. He thought if they are going to pass a sales tax, maybe that's the way to do the property tax.

Sen. Bales thought that is under the purview of the other committee and he wondered if they were considering that. Mr. Shimshaw advised they have not gotten into any detailed requests. Their discussion focused primarily on Class 4. He didn't think that should be excluded from the discussion here. If the other committee were looking at that, this committee could certainly take that information and use it, but he thought it was a valid question to be presented here.

(Tape 5, Side B)

Rep. Peterson thought the subcommittee would get together with the department of revenue soon and determine the baseline information and what the four or five page document Miles Watts was talking about would look like so they could begin putting that together for the November meeting. They would take public input and then begin developing scenarios they wanted to look at. Then the analysis would begin. He thought it premature to start analyzing until they see the baseline and take public input. Sen. Bales agreed and wondered if the committee and the department could get the numbers crunched and ironed out by the next meeting in October. That would give the ability for the committee to look at that and then have different scenarios for the November meeting and an opportunity to get some ideas and feedback back to the department if possible.

Ms. Whittinghill recalled they talked about coordinating with the Legislative Fiscal Division or Legislative Services Division or both. She was interested in the total fees collected in the state. Mr. Dodds said he was not sure what they would have that isn't provided in the census data. Ms. Whittinghill thought the census data might not match what was actually collected. When they are comparing state to state they will have to stick with how everyone got lumped together. As they analyze actual collections in Montana and what fees are coming in and they are looking at the total revenue collections report it might be nice to have someone from the fiscal division there as well.

Rep. Peterson wondered if it is possible for the subcommittee to get with the Department of Revenue and have the first draft of the baseline analysis by the next meeting. Rep. Cohenour thought the baseline should be based on the census, as that is the most widely comparable numbers they can get. The first set of data they look at needs to be across the board, knowing what criteria was used to generate that data.

Mr. Watts thought they should do what they can by the next meeting and hand out what they can get out. It may be that whenever they get it done, they can use the mail. Mr. Finch indicated the baseline data would only take three or four hours to compile from the census data. Mr. Watts expressed concern about looking at the census data and then the books the department put together. He thought there are differences between the two and he thought it reasonable to justify and show where all those differences are coming from. He wants to make sure they're consistent. If they put two sets of numbers out, they will have to be able to show why they're different.

Rep. Peterson asked if the subcommittee would need to meet to do what Mr. Finch said or how they could do it in the shortest possible time. Mr. Finch didn't think it would require a face-to-face meeting by the subcommittee but is a matter of making a decision--getting a copy of the census data showing everything that's collected at the state and local government level by type of tax and by source and making a decision as to what taxes they want to include in the baseline and then putting the pie charts together based on that decision. Rep. Peterson thought they could do that pretty easily by the next meeting and Mr. Finch agreed. Rep. Peterson said they should plan on it.

Sen. Bales thought it could be done by the next meeting and handed out. They will see how much time it takes at the next meeting for comment. At some point in time they will have to start looking at scenarios or possible what-ifs. He doubted they would have time after the public comment. He thought time is of the essence and wondered when they should try to review the data and some possibilities. Rep. Lake suggested a day and a half meeting. Sen. Bales asked anybody on the committee that has things they want run to get it to the department or him to have ready for the meeting in November. Rep. Lake commented instead of a day and half, they could start at 8 a.m., end the public comment at 3 p.m., and work until 5 p.m. Sen. Perry thought what Sen. Bales said would work. There are some variations of tables he would like to see and he would talk to Dr. Watts about it and coordinate it through Sen. Bales.

Rep. Cohenour said they would get the data from Mr. Finch, pull that together for the subcommittee, decide on the criteria and get the data to the committee by the public comment meeting. They can start collating the scenarios at the following meeting.

Sen. Bales hoped they would have some what-ifs they could have the department run for the November meeting. He didn't think there would be that many different requests. Mr. Finch said his concern was about available resources if everybody on the committee has requests. Sen. Bales agreed and he didn't want to put them in that position.

The next meeting will start at 8:00 a.m. The November meeting was tentatively scheduled for November 7. The meeting place will be determined.

Mr. Finch indicated the census data is available on the Internet under the US Census Bureau state section. Sen. Bales said there have been some requests for the information and recommendations from previous tax studies. Mr. Finch advised there are some summary reports available, particularly the ones done by the Legislative Oversight Committee and he believed they have the final reports for the Montana Property Tax Committee and others on file. Rep. Cohenour asked the reports focus on the goals in the bill. Sen. Bales requested data on states that have done some major tax reform. Mr. Finch advised he would check on what's available.

Rep. Lake said he would be interested in changes other states made that didn't work. Mr. Morrison advised Alabama would be a good one. Rep. Cohenour favored looking at the ones that succeeded.

Sen. Bales adjourned the meeting at 4:00 p.m.

Minutes read and approved by: _____
Senator Keith Bales, Presiding Officer Date